

GUIDANCE FOR CONVERTING SICK LEAVE TO SALARY FOR PERA PURPOSES

Pursuant to House Bill 00-1458, a special five-year program begins on July 1, 2000 and ends on June 30, 2005 (based on 7/01/04 sick leave balance). The program allows eligible employees in the state personnel system to convert all or a portion of accrued sick leave in excess of 360 hours to salary for PERA purposes only at a 15 percent payment rate.

- Eligible employees are those hired before July 1, 1988 who have individual maximum sick leave accrual rates above 360 hours (45 days) **and** meet the age and service requirements for a full or reduced retirement.
- Only sick leave in excess of 360 hours as of each July 1 may be converted into salary and paid at the rate of 15 percent of the hours converted.
- Employees have discretion to determine whether they wish to receive a lump sum payment in the next pay check for the converted sick leave or whether they wish to have this amount periodically distributed during the remainder of the fiscal year while still employed.
- Sick leave conversion payments are not base building for future salary increases.
- Sick leave may be converted to salary at any **one** time during each fiscal year.
- The basis for conversion is the employee's 7/1 sick leave balance, which may be the same as the employee's sick leave cap or less. An employee can convert all, or a portion of, sick leave above the 360 hours threshold, up to the employee's 7/1 balance. For example, the employee has 1360 hours of accrued sick leave (also employee's 7/1 balance and cap) at the time of the conversion. The employee may convert up to 1000 hours.
- The employee receives a new leave cap at the time of conversion which is equal to the 7/1 balance minus the number of hours converted. For example, the employee has 1360 hours of accrued sick leave on 7/1 (also employee's sick leave cap). The employee converts 300 hours to salary so the employee's new cap maximum accrual rate becomes 1060 hours when the sick leave is converted. Another example, the employee has 1000 hours of sick leave on 7/1 (sick leave cap is 1360) and converts 300 hours so the employee's new cap becomes 700 hours when the sick leave is converted.
- Upon retirement, eligible employees continue to be paid one-fourth of the sick leave hours that were not or could not be converted, up to the employee's sick leave cap.

- The salary rate used to calculate the 15 percent payment for converted sick leave is based on the same earnings types as regular sick and annual leave pay-outs for retirement.
- Employees should contact their financial advisors if they have questions about the financial benefits of converting sick leave to salary under this special program. Employees should contact PERA for questions regarding highest average salary and retirement benefits. State employees outside the state personnel system should contact their respective human resources/payroll offices for guidance.

Conversion of sick leave does not result in additional PERA service credit.

PERA's 15 percent cap on annual increases between salaries for the HAS calculation still applies.

Employee and employer contributions will be deducted from converted sick leave payments.

Examples

All of the employees in the following examples are eligible for retirement.

Employee A has 1360 hours of accrued sick leave on 7/1/00 and the employee's sick leave cap. The employee may convert up to 1000 hours of sick leave at 15 percent and chooses to convert 500 hours on 7/1/00.

1360 hrs. accrued 7/1/00	(also SL cap)
<u>-500</u> hrs. convert at 15%	(may choose lump sum or even distribution during FY 00-01)
860 hrs. remain	(new SL cap, limit on ¼ pay-out is 860, amount over 860 on next 7/1 is subject to sick-to-annual leave conversion)

Employee B has 1360 hours of accrued sick leave on 4/1/01 and a sick leave cap of 1300. The employee may convert up to 940 hours of sick leave at 15 percent and chooses to convert 500 hours on 4/1/01.

1300 hrs. accrued 7/1/00	(basis is 7/1/00 balance (cap) even though 4/1/01 accrual is 1360)
<u>-500</u> hrs. convert at 15%	(may choose lump sum or even distribution during FY 00-01)
800 hrs. remain	(new SL cap, limit on ¼ pay-out is 800, amount over 800 on next 7/1 is subject to sick-to-annual leave conversion)

Employee C has 860 hours of accrued sick leave on 5/1/01. The employee's sick leave cap is 960, which was the balance on 7/1/00. The employee may convert up to 500 hours of sick leave at 15 percent, which the employee chooses to do on 5/1/01.

860 hrs. accrued 5/1/00	(960 was 7/1/00 balance and also SL cap)
-500 hrs. convert at 15%	(360 hrs. must be maintained, may choose lump sum or even distribution during FY 00-01)
360 hrs. remain	(new SL cap, limit on ¼ pay-out is 360, amount over 360 on next 7/1 is subject to sick-to-annual leave conversion)

Employee D has 860 hours of accrued sick leave on 7/1/00 and a sick leave cap of 960. During FY 00-01, the employee accrues another 80 hours for a balance on 7/1/01 of 940 hours (cap is still 960). During FY 01-02, the employee earns another 80 hours but the balance on 7/1/02 is 960 hours due to the sick leave cap. On 9/1/02, the employee has a balance of 973 but may convert up to 600 hours of sick leave at 15 percent, which the employee chooses to do on 9/1/02.

960 hrs. accrued 7/1/02	(also SL cap even though 9/1/02 balance is 973)
-600 hrs. convert at 15%	(may choose lump sum or even distribution during FY 02-03)
+ 13 hrs. accrued 9/1/02	(basis for conversion is the 7/1/02 balance)
373 hrs. remain	(new SL cap is 360, limit on ¼ pay-out is 360, amount over 360 on next 7/1 is subject to sick-to-annual leave conversion)

The above information reflects our current understanding of the legislation as of May 26, 2000. However, it is subject to change as additional information becomes available.

Additional questions about this guidance can be directed to Laurie Benallo at laurie.benallo@state.co.us at 303-866-2455.